

Technical Note
Gross Domestic Product, Second Quarter 2001 (Advance)
July 27, 2001

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release; the note also provides some perspective on the estimates. Additional material will become available in the next several days; much of it will be posted to BEA's Web site <www.bea.doc.gov>. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*. The *Survey* also will provide a more detailed analysis of the estimates ("The Business Situation").

Real GDP: Based on data available at this time, BEA estimates that real GDP increased 0.7 percent (annual rate) in the second quarter of 2001, after increasing 1.3 percent (revised) in the first quarter. The largest contributors to the slowdown were larger decreases in equipment and software investment and in exports.

Real final sales of domestic product -- GDP less change in private inventories -- increased 0.7 percent in the second quarter, following an increase of 4.0 percent in the first. Inventories were drawn down slightly less in the second quarter than in the first, and added 0.03 percentage point to the second-quarter change in real GDP; inventory investment had subtracted 2.61 percentage points from the first-quarter change.

Prices: The price index for gross domestic purchases increased 1.5 percent in the second quarter, after increasing 2.7 percent in the first. Excluding food and energy prices, which are more volatile than most other prices, the index increased 1.1 percent in the second quarter, following an increase of 2.3 percent in the first.

Disposable personal income and personal saving: Real disposable personal income (DPI) increased 2.5 percent in the second quarter, after increasing 2.7 percent in the first. Current-dollar DPI increased 4.2 percent, following an increase of 6.0 percent. The slowdown in DPI reflected decelerations in wages and salaries and in government transfer payments to persons that were moderated by a deceleration in personal tax payments. Personal saving -- current-dollar DPI less personal outlays -- was \$87.5 billion in the second quarter, compared with \$78.8 billion in the first. The personal saving rate -- saving as a percentage of DPI -- was 1.2 percent in the second quarter, compared with 1.1 percent in the first.

Source Data for the Advance Estimate

The advance GDP estimate for the second quarter is based on source data that are incomplete and that are subject to revision. Three months of source data are available for consumer spending on goods; investment in private equipment other than aircraft; motor vehicle sales and inventories; manufacturing durables inventories; federal government outlays; and consumer, producer, and international prices. Only two months of data are available for most other key data sources; BEA's assumptions for the third month are shown in table A.

- For the change in non-motor-vehicle inventories, a decrease was assumed for June;
- For exports of goods, excluding gold, a small increase was assumed for June;
- For imports of goods, excluding gold, an increase was assumed.

Sources of Revision to Real GDP, First Quarter, 2001

Real GDP for the first quarter of 2001 is now estimated to have increased 1.3 percent; this growth rate was 0.1 percentage point more than the previous estimate of 1.2 percent that BEA released on June 29.

The small upward revision to first-quarter real GDP reflected both the effects of the annual revision of the national income and product accounts (NIPA's) and the incorporation of new and revised source data. The largest contributor to the revision to first-quarter GDP was an upward revision to inventory investment.

The revision to inventory investment reflected revised Census inventory data that are now reported based on the North American Industry Classification System (NAICS) rather than the Standard Industrial Classification (SIC). Because of the change in the classification system, BEA did not revise its estimates of inventories for the first quarter when it released its GDP estimate on June 29.

Annual Revision of the NIPA's

The NIPA estimates released today also present the results of a regular annual revision covering the estimates from the first quarter of 1998 through the first quarter of 2001. The text of today's news release includes an overview of the impact of the revision.

As a result of the revisions for 1998-2000, the average growth in real GDP over the period from 1997 to 2000 was revised down from 4.5 percent to 4.2 percent. The largest revision was for 2000, which was 0.9 percentage point less than previously estimated. The revised estimates show GDP growth of 4.1 percent for 2000; the previous estimate was 5.0 percent. For 2000, lower inventory investment accounts for about one-third of the downward revision; lower software investment and lower consumer spending for services each account for about one-fourth of the downward revision. The revisions result mainly from the incorporation of newly available source data.

One aspect of this annual revision is that much of the source data from government

agencies is now reported on a NAICS basis instead of an SIC basis. The change in classification system did not affect the estimates of GDP or of other aggregates, but it did affect the detailed estimates of inventories by industry, which are now presented on a NAICS basis.

A newly available price index from the Federal Reserve Board that reflects quality improvements to local area network (LAN) equipment--routers, switches, and hubs--was incorporated into the estimates of communication equipment within private fixed investment.

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**Table A.—KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP
FOR THE SECOND QUARTER OF 2001**

For many of the key series used to prepare the advance estimate of GDP, including sales of retail stores, unit automobile and truck sales, inventories, manufacturers' shipments of nondefense capital goods (other than aircraft), federal defense spending, and consumer and price indexes, actual data are available for all months of the quarter.

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for June 2001 are shown in the last column of the table. For most series shown, the data for May are preliminary and subject to further revision. Occasionally, the data for months are also subject to revision.

All series shown in the table are in billions of dollars, seasonally adjusted at annual rates, and are published by the Bureau of the Census.

		2001					
		Jan.	Feb.	Mar.	Apr.	May	Jun.*
Private fixed investment:							
Nonresidential structures:							
Buildings:							
1	Value of new nonresidential construction put in place.....	223.8	220.2	225.9	217.4	210.3	212.3
Equipment and software:							
2	Manufacturers' shipments of complete aircraft.....	33.8	45.0	39.0	33.6	37.9	42.2
Residential structures:							
Value of new residential construction put in place:							
3	1-unit structures.....	239.7	245.6	244.4	245.4	247.5	250.5
4	2-unit-or-more.....	29.4	29.9	29.5	29.7	30.4	30.7
Change in private inventories:							
5	Change in inventories for manufacturing and trade (except nonmerchant wholesalers) for industries other than motor vehicles and equipment in trade..	30.5	-17.1	-43.3	-17.0	3.1	-35.2
Net exports:							
Exports of goods:							
6	U.S. exports of goods, international-transactions-accounts basis.....	783.7	789.0	766.6	746.0	753.9	757.3
6a	Excluding gold.....	777.9	782.2	759.0	738.2	746.0	750.8
Imports of goods:							
7	U.S. imports of goods, international-transactions-accounts basis.....	1253.2	1204.3	1232.0	1197.9	1166.7	1183.2
7a	Excluding gold.....	1247.0	1198.4	1225.8	1192.3	1158.9	1176.7
8	Net exports of goods.....	-469.5	-415.4	-465.4	-451.9	-412.8	-425.9
8a	Excluding gold.....	-469.1	-416.2	-466.8	-454.1	-412.9	-425.9
State and local government structures:							
9	Value of new construction put in place.....	178.6	179.4	180.7	191.6	200.3	195.3

*Assumption.